BRITISH COLUMBIA FERRY CORPORATION

ANNUAL REPORT 1990-1991

THE MINISTER'S MESSAGE

Hon Lyall Hanson
Minister of
Transportation &
Highways
Minister responsible
for British Columbia
Ferry Corporation

The Honourable
DAVID C. LAM
Lieutenant-Governor
of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR

I respectfully submit herewith the Annual Report of the British Columbia Ferry Corporation for the fiscal year ended March 31, 1991, in compliance with the provisions of the Ferry Corporation Act.

Lyall Hanson
Minister of Transportation and Highways
Minister Responsible, British Columbia Ferry Corporation

91-06517/

TABLE OF CONTENTS

Corporate Profile	3
Mandate	4
Statistical Review	6
Report of the Chairman of the Board	7
Report of the President & Chief Executive Officer	8
The Year in Review	10
Capital Expansion Program	20
The FriendShip Fleet	25
Service Areas	26
Traffic History	31
Management Report	32
Auditors' Report	33
Financial Statements	34
Board of Directors & Corporation Officers	40
Corporate Information	40

CORPORATE PROFILE

British Columbia Ferry Corporation, a Government of British Columbia Crown Corporation, was established on January 1, 1977 as the successor agency to the British Columbia Ferry Authority. The Ferry System has existed since 1960 when the Provincial Government opened frequent ferry service between Vancouver and Vancouver Island using end-loading roll-on/roll-off vessels.

The Corporation now operates the Ferry System with a fleet of 38 vessels on 24 routes serving 43 terminals. During 1990-91 the Ferry System carried 19.8 million passengers and 7.7 million vehicles.

The Ferry System is an integral part of British Columbia's coastal transportation system. It links many small islands of the Strait of Georgia to either Vancouver Island or the Mainland, and links Vancouver Island to the Lower Mainland with three routes. It also operates services from Prince Rupert, on the Province's north coast, to the Queen Charlotte Island group and to northern Vancouver Island.

High standards of operation and maintenance make British Columbia's Ferry System one of the world's finest.

Inset: Carmen Laurin and Ron Walker, at New Construction Division, discussing the layout for Tsawwassen

Some of the Information / Reservation centre staff, photographed outside Fleet House: Marilyn Morris, Carly Piggott, Mike McCall, June St. Pierre, Gary Lindsay, Helaine Partridge, Christine Bowman, Amanda Barber, Claire Hughes, Beverley Moore, Lisa Grant, Lisa Jonzenson, Kim Cameron and Janik Manhas

MANDATE

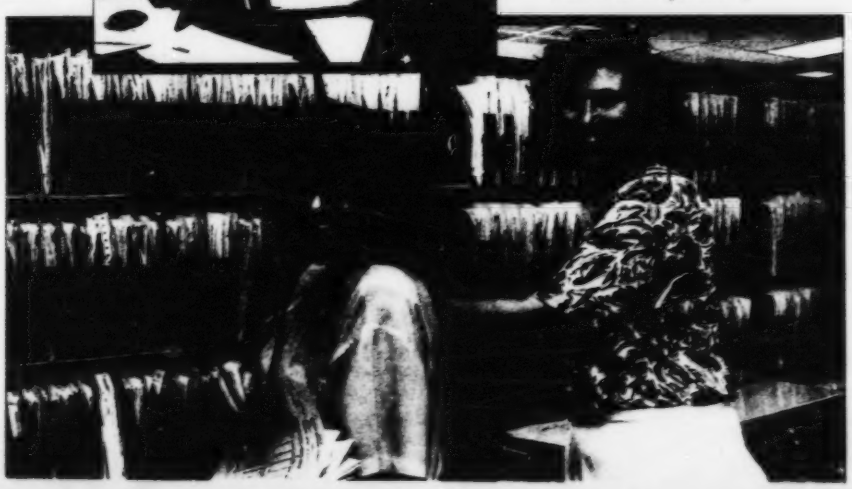
The mandate of the Corporation is defined in the Ferry Corporation Act which took effect on January 1, 1977. The objects and powers of the Corporation are defined in Section 6 of that Act which is reproduced in its entirety below:

"The objects of the Corporation are, and it has the power and capacity:

- to establish, operate, administer and maintain a ferry, shipping and related service, including, subject to section 7(1), the ferry system, and to engage in any other business or undertaking necessary or incidental to the operation of a ferry, shipping or related service;
- to acquire by any means except expropriation, to charter, to hold in its own name, and to use and operate ferries and terminals and such other property and assets, both real and personal, as are considered by the corporation to be necessary or required for the conduct of its operations, and to use and operate the ferries, terminals and other property and assets acquired for ferry, shipping and related purposes;
- subject to the approval of the Lieutenant Governor in Council, to lease, charter, mortgage, sell or otherwise dispose of ferries and terminals and other properties and assets, both real and personal, the corporation holds;
- to undertake such construction and reconstruction of ferries or terminals as in the opinion of the corporation is necessary or required for the conduct of its operations;
- subject to the approval of or on the direction of the Lieutenant Governor in Council, to add or delete routes of the ferry or shipping service carried on by the corporation;
- to enter into agreements with or accept grants or fees for services from persons, corporations, municipalities or regional districts and other governmental authorities or any of their agencies, for the purposes of this section;
- to invest or loan the funds not otherwise required for the purposes of the corporation in those investments or loans authorized by the Lieutenant Governor in Council;
- subject to the approval of the Lieutenant Governor in Council, to acquire by any means, except by expropriation, the whole or any part of the property, assets and undertaking, and to assume in whole or in part the obligations and liabilities of any person carrying on or entitled to carry on activities which the corporation is authorized to carry on or which can be carried on incidental to, or in connection with, the exercise of the objects and powers of the corporation;
- subject to the approval of the Lieutenant Governor in Council, to acquire all or any of the shares of

Inset: Heather Banzet, Hamish Creek and Vern Haggstrom meet with Marg Zilkie, the manager of Payroll

Marlene May and Gloria McDonald in the payroll files



Inset: At New Construction, David Lindsay, Tom Blyth and Rita Huot discuss the plans of the S-Class ferry

Coke Silcox (seated) and Dawn Jones are part of the clerical team at Deas Dock

another corporation, incorporated for the purpose of, or engaging in, the operation of ferry, shipping and related services, or in any other business necessary or incidental to the operation of ferry, shipping and related services;

- subject to this Act, to borrow such money as the corporation considers necessary or advisable and to issue notes, bonds, debentures and other securities for that purpose; and
- to do things not inconsistent with this Act it considers necessary or advisable for carrying out any of its objects and powers."

STATISTICAL REVIEW

	1991	1990	1989	1988	1987
KEY INDICATORS					
Operating income per passenger	$11.57	$11.19	$10.47	$9.90	$8.99
Operating expenses per passenger	$12.90	$12.80	$12.50	$12.77	$12.33
Percentage of operating expenses recovered from operating revenues	90%	87%	84%	78%	73%
Full-time equivalent employees (FTE)	2,808	2,657	2,537	INFORMATION NOT AVAILABLE	
OPERATIONS (THOUSANDS)					
Traffic-Passengers	19,775	19,229	17,919	17,014	18,235
- Vehicles	7,707	7,499	6,885	6,491	6,526
Miles - Passengers	372,257	358,173	336,399	317,424	375,893
- Vehicles	136,732	131,167	121,714	114,816	123,970
Utilization					
- Passengers	27%	28%	27%	27%	34%
- Vehicles	65%	67%	65%	63%	60%
FINANCIAL (THOUSANDS OF DOLLARS)					
Operating income	$228,764	$215,212	$187,599	$168,488	$163,954
Operating expenses	255,085	246,189	224,060	217,296	224,787
Operating loss	(26,321)	(30,977)	(36,461)	(48,808)	(60,833)
Allocation of Provincial government subsidy					
- Operating	13,104	6,915	17,470	57,000	57,000
- Capital	35,346	44,085	33,530	-	
Cash flow from operations	21,189	10,407	6,095	27,231	20,309
Net additions to fixed assets	101,286	17,117	7,559	9,292	1,817
Total assets	441,544	388,280	370,121	365,230	372,523
Shareholder's equity	162,562	166,595	188,105	206,898	205,336

Bruce Fischer, Tim Venton and Eric Payne check dock plans in terminal engineering

REPORT OF THE CHAIRMAN OF THE BOARD

The 1990-91 fiscal year presented exciting challenges for the British Columbia Ferry Corporation in serving its customers. While hints of the national recession had their impact in slowing traffic growth the Corporation continues to see the need to enhance its resources, both human and physical, for the continued effective delivery of its mandate.

The Corporation is now faced with changes in the public's expectations of us, in the nature of our workforce, and in the ways in which we do business. The Board of Directors has challenged management throughout 1990-91 to meet these new waves of change. As part of this process, the Board of Directors appointed Mr. Frank Rhodes to the position of President and Chief Executive Officer on June 15, 1990. Mr. Rhodes has provided a new and exciting perspective to the organization which will help in meeting our coming challenges head on.

During the year the Board of Directors of the Corporation was increased in size from nine seats to eleven. One retirement occurred, that of Arthur Lloyd of Salt Spring Island. The Board of Directors benefitted from the participation of Mr. Lloyd during his three years of service, and extends to him its appreciation. Two new members were appointed: Gary Bannerman of North Vancouver and Jennifer Inderwick of Salt Spring Island. The contributions of both of these members to the deliberations of the Board in these interesting times are appreciated.

The Corporation looks forward to the decade of the Nineties when many of the changes discussed elsewhere in this report will be felt.

On behalf of the Board of Directors

R.W. LONG

Inset: Tom Malone and Alan Jones, out of Swartz Bay

Mike Renaud, Carol Pocock and Ron Walker, Looking over an artist's rendering of Horseshoe Bay

REPORT OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Serving British Columbia. That is the mission for the men and women of the British Columbia Ferry Corporation. And for over 30 years the staff of the Corporation have provided a safe, efficient and dependable passenger and vehicle ferry service for British Columbia's major coastal communities - serving British Columbians and our visitors.

The British Columbia Ferry Corporation has, through its employees, ships and services, established an enviable record and world-wide recognition for performance and service. The Corporation represents an absolutely essential element for economic and community development in the Province.

The challenge for the Corporation is to continue to develop and strengthen our human resources to meet the decade of the 1990's. Further, the Corporation must maintain and improve financial performance to underwrite major capital investments in new ships and new terminals, and to finance aging ship and terminal maintenance programs.

The Corporation is focusing a great deal of attention, through the Board of Directors and through its officers and employees, on planning for future needs. That planning and research activity includes involvement with other provincial government agencies providing transportation services, with regional and local governments, with community transportation groups and with customers. The Corporation is committed to working with these groups to develop new and improved solutions to transportation policy matters. Further, the Corporation is constantly reviewing new marine technologies and assessing their operational potential and financial viability for application in British Columbia.

Chairman of the Board Bill Long, General Manager Rod Morrison and President Frank Rhodes

REPORT OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

In order to meet forecasted growth in service demand through the 1990's, the Corporation has initiated close to $440 million in ship and terminal projects.

The S-class ferry project will result in two major vessels, the Corporation's largest, for service between Tsawwassen and Swartz Bay. These vessels will be the most efficient in the history of the Corporation. Construction of two additional vessels, 85-car ferries, was commenced during the year. Another vessel of 115-car capacity was purchased in Norway to augment the fleet. The redesign and redevelopment of Swartz Bay and Tsawwassen commenced during the year and the Corporation continued planning for the redevelopment of Horseshoe Bay. Planning and evaluation of potential terminal sites south of Nanaimo, including Duke Point near Nanaimo, took place during the year.

Concomitantly, the construction of new ships in British Columbia, as well as the Corporation's refit and modification program, is of great importance to the Province's shipbuilding and repair industry. The continuation of a viable industry in the Province, with complete drydocking facilities, is essential to the ongoing operations of the Corporation. It is a positive and beneficial economic and business relationship and the Corporation was well served by the industry during 1990-91.

The British Columbia Ferry Corporation and its officers and employees take pride in our history, but we are aware that the needs of the future are even greater. Our goal, together, is to meet those challenges and make a stronger contribution to community and economic development in British Columbia.

F.A. Rhodes
President

Rod Morrison
General Manager

PERSONALLY DELIVERED TWICE!

A young lady travelling home on the ferry from Victoria lost her wallet.

She was worried that she would never find it, but when she arrived home, there was a message from Ron Bennett, a BC Ferry employee, that the wallet had been found.

Later, Ron personally delivered it to her home in East Vancouver.

Ron Bennet also received thanks for returning a second lost wallet.

The passenger wrote, "I can't say enough about this kind man. He immediately put us at ease by assuring us that most people were honest, and most purses and wallets were turned in. We realized that I must have left it on the table in the Coffee Shop at Swartz Bay before boarding. Your Chief Steward quickly made a call to Swartz Bay and, fortunately, the wallet had been turned in. Arrangements were made to have it sent on the next ship.

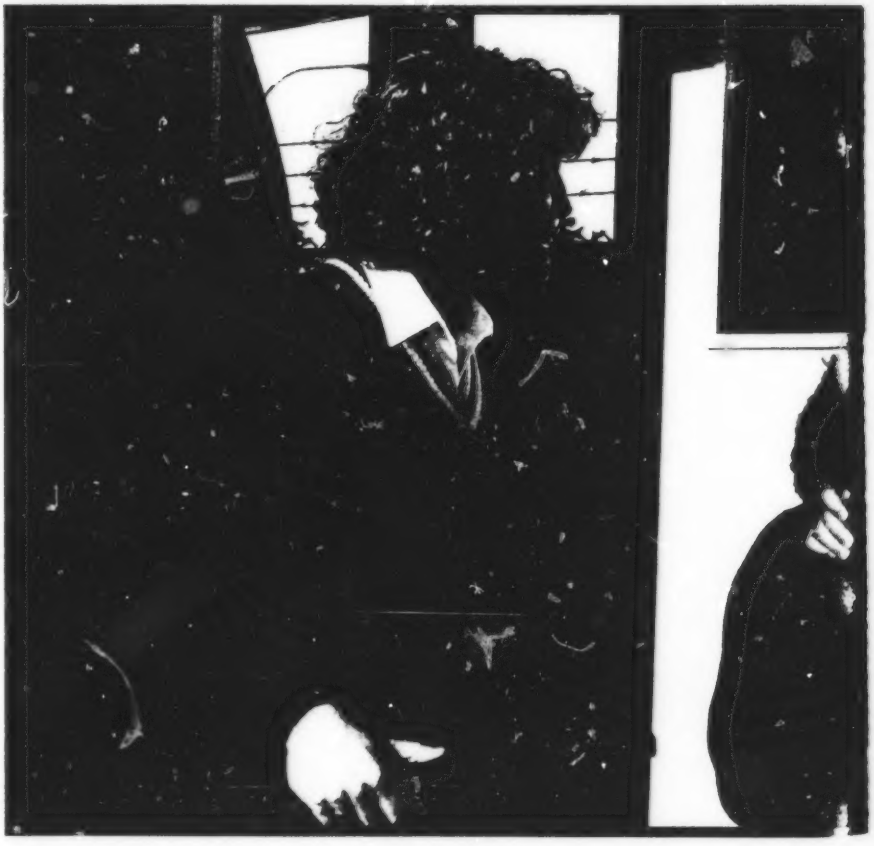
"We were spending the night in Tsawwassen," continued the thankful customer, "and your man kindly offered to drop it off for us when he came off duty. I certainly want to thank him and all those who had a part in returning my wallet."

THE YEAR IN REVIEW

The 1990-91 fiscal year was one of challenge for the Corporation. Not only was it the busiest in our history, but it was also a time when the complex planning process which was a feature of the last few years, commenced implementation.

The Corporation recorded an increase of 2.8 percent for both vehicle and passenger traffic over 1989-90, for a total of 19,775,217 passengers and 7,707,470 vehicles carried. This generated a total of $186.3 million in revenue. The combination of a modest rate increase (4% system-wide) and the traffic increase expanded toll revenue by $11.5 million (up 6.6% from 1989-90). Catering sales also increased 6.6 percent, from $38.8 million to $41.3 million. The last quarter of the fiscal year reflected the general economic slowdown, with moderate sales growth and evidence of increased consumer price sensitivity.

The New Construction Division, responsible for implementing our Capital Expansion Program, commenced the construction of new vessels and terminal facilities. This provides the first of the new resources which will carry the Corporation through the 90's and into the next century, and enable us to meet the demands posed by steady traffic growth. The initial product of the Capital Expansion Program, *Queen of Capilano*, is scheduled to enter service in June 1991.



Top: Rosslyn Gerrard and Barry Ellett go over catering department business
Inset: Chief Steward Pat Behnsen, with Kathy Marks in the snackbar of Queen of Saanich
Swartz Bay ticket agents Irene Dolan and Farbod Fouladianpour

IDEAS AND PEOPLE

Planning for these current developments have been profoundly influenced by many employees from throughout the Corporation who have contributed their expertise to user committees. Practical, useful, commonsense suggestions put forward by experienced employees have helped guide the organization into the period of growth we will see in the coming years. The fact that so many of the ideas contributed by our people have been integrated as key elements in our large-scale, long-term plans reflects management's commitment to listen to our employees, confident in the validity of their hard-won knowledge.

The Corporation concluded a Collective Agreement with its union, the British Columbia Ferry and Marine Workers' Union, in October 1990. It provides for general increases of 6 percent in the first year and 5 percent in the second year. The Corporation must respond to the need for skilled certificated trades whose qualifications are mandated and competency tested under federal marine regulations. Changes to the Agreement will enable the Corporation to provide employees with the "sea-time" (time served in qualifying functions in specific operating locations) to enable them to upgrade their qualifications. This will benefit both the operation of the ferry system and the workforce by facilitating internal promotion and career development.

The year before us will again be filled with challenges. We must continue to strive for excellence in service in the face of continued traffic growth, and at a time when major terminal operations will be disrupted by on-going construction activities. However, this will be our best year in some time for ship disposition, as three additional vessels will be introduced into regular service this summer. These include *Queen of Chilliwack*, the newly "lifted" *Queen of New Westminster*, and *Queen of Capilano*.

Delivery of *Queen of Chilliwack* from Norway in June 1991 illustrates the enthusiastic attitude of our employees. Over 400 individuals from all areas of the fleet applied for a total of 32 crew positions to deliver the vessel from Europe to Victoria - a group remarkable for their combination of technical and people skills, along with their sense of adventure and discipline. This is the first time that a BC Ferries crew has undertaken an international delivery voyage.

BETTER SERVICE

The major ship modification work this year involved the redesign, double-decking and re-powering of *Queen of New Westminster*. The new propulsion system was supplied by Cullen Canadian Inc. (now Wartsila Cullen Diesel Inc.), of Vancouver and the contract to carry out the double-decking went to Vancouver Shipyards Co. Ltd. While work was ongoing at year-end, this "Super V" class ship is scheduled to enter service at the end of July, 1991.

A third route between the Lower Mainland and Vancouver Island, the "Mid-Island Express", commenced operations on May 1, 1990 providing four round trips daily between Nanaimo and Tsawwassen. This route significantly reduced Horseshoe Bay traffic by providing an option for travellers to and from Nanaimo. The introduction of the 5:30 A.M. departure from Nanaimo proved to be especially popular with commercial users. The service will be expanded with a second ship in the summer of 1991. Passenger surveys on this service helped in the decision-making process to respond to our customers and their requirements.

While the Mid-Island Express currently operates from Departure Bay (Nanaimo), the Corporation is now looking at the long-range future of that route. As a result, the search for a third major Vancouver Island terminal commenced in 1990-91. The general area of interest ranged from Nanaimo south to Crofton. In conjunction with this initiative, the availability of Crown land at Duke Point just south of Nanaimo was investigated and an initial conceptual terminal layout was developed. We continue to meet with the Ministry of Transportation and Highways to scope a potential terminal and highway access.

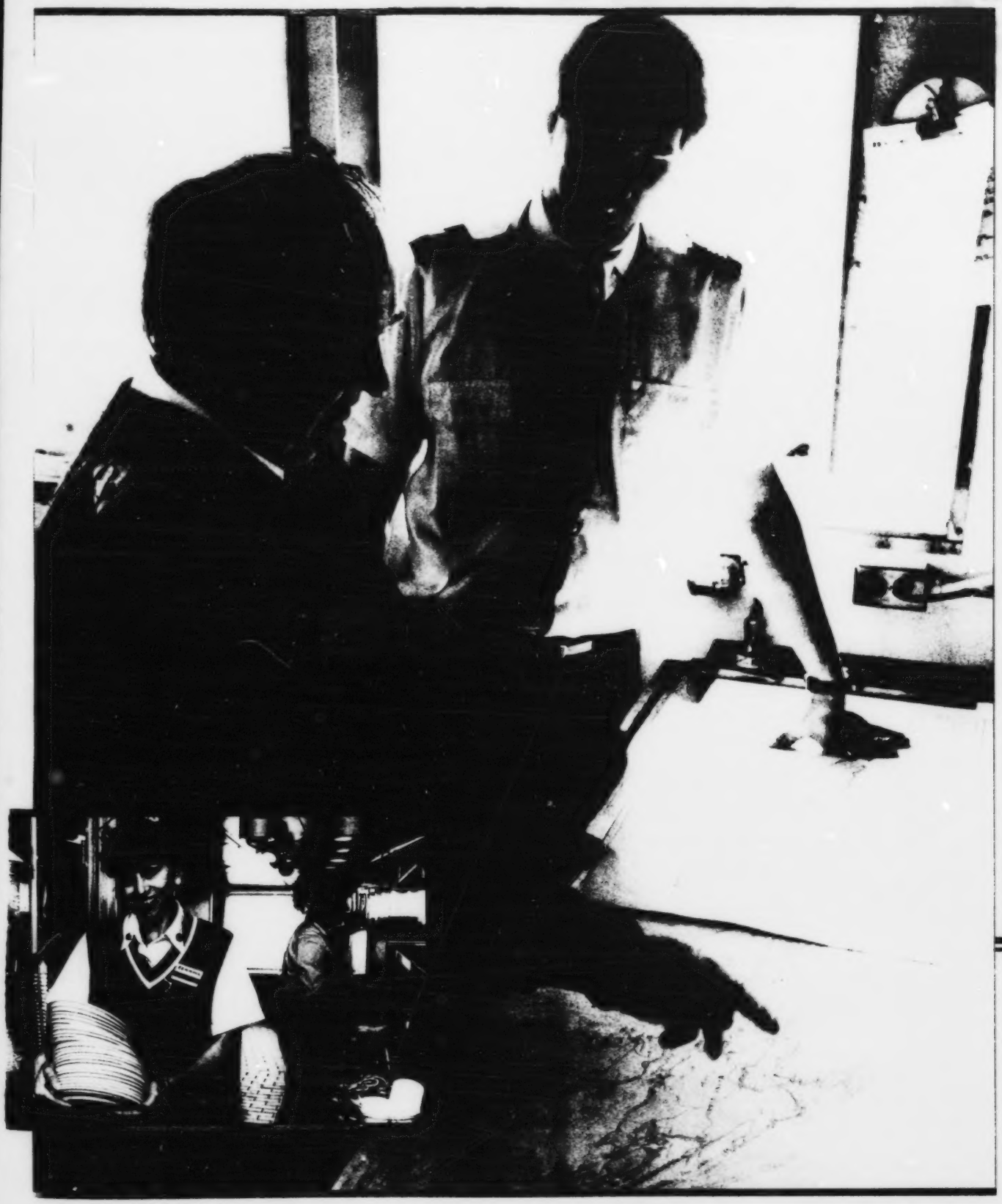
FROM A REGULAR

"I have wanted to write a hundred or more times to say just how special I've always found the service offered by BC Ferries to be. I am finally doing it.

"I travel a lot, and so I meet a lot of people in the course of doing business, eating out, and just getting around...and I can honestly say that not once in all the years I have travelled the ferries, have I ever had an experience I would care to forget. At the ticket booths, at the cafeterias both on shore and onboard the vessels, in the newsstands...what a special bunch of people to be able to meet us day, after day, after day, and while always trying to meet a deadline. To open on time, have the food ready on time, leave on time.

A thousand thank you's for such a consistently wonderful service. The staff, and the people who train them, have so much to be proud of.

"With my apologies for being so tardy in writing to say thank you, thanks again...for so many safe and memorable journeys."



Inset: Charlene Wingerter and Cathy Clark work in the cafeteria servery

Captain Don Fraser and Second Officer Fred Fowler on the bridge of Queen of Saanich

Making sandwiches for the cafeteria and snack bar are John Jew, Ivan Lillico and Steven Chumber

Three major traffic management projects were initiated during the year. These included the Traffic Analysis System (TAS), a sophisticated vehicle and passenger management system; the Traffic Revenue Information Processing System (TRIPS II); and the Traffic Statistics System (TSS).

EVEN EXTRA SERVICE

On October 22, 1990 a landslide two kilometres north of Lions Bay closed the Squamish Highway. Two of the Corporation's vessels, *Vesuvius Queen* and *Nicola*, provided round-the-clock service between Darrell Bay and Horseshoe Bay for ten days carrying a total of 3,401 vehicles and 9,482 passengers.

The Corporation has been involved in establishing an emergency ferry landing at Porteau Cove, on the Squamish Highway. This will allow major vessels to assist in the movement of passengers and vehicles in the event that the highway is again closed by slides for extended periods. Representatives from the Ministries of Parks and Transportation & Highways, and the Corporation were continuing work on this project at year-end.

The president of a Victoria [illegible] club wrote in to compliment Tracy Black, an agent in the [illegible] Centre, for her help with travel arrangements and bookings for the balance of his league schedule.

"In this day and age," the gentleman says, "it is nice to know that there are still people with good attitudes and diligence in their work ethics."

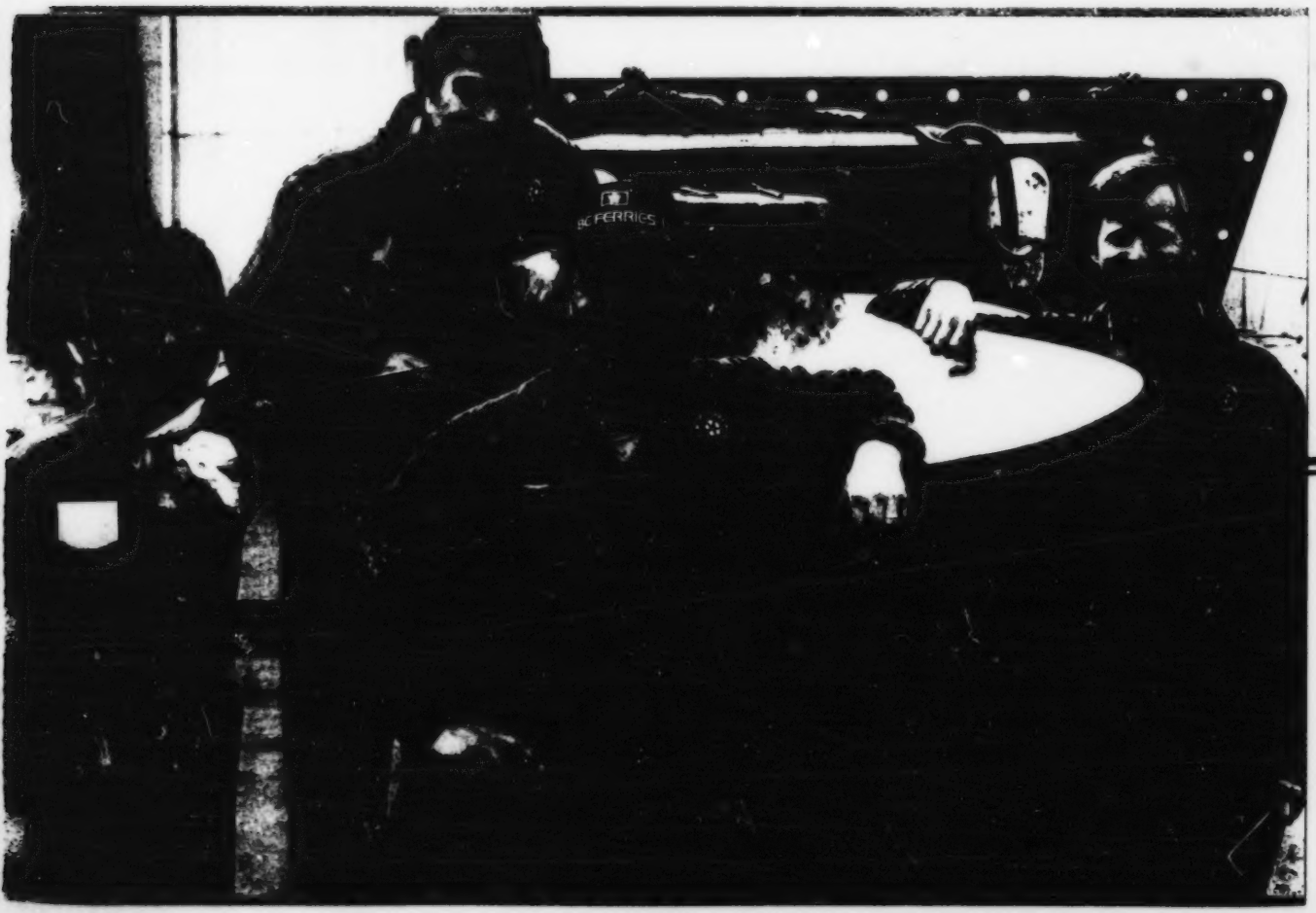
The "New Wave" program has been developed to help communicate with the various customer groups we serve, and obtain their feedback to our initiatives. Responding to changing passenger needs and desires, we have placed a major emphasis on new food-service development. This will address health and value needs of consumers, as well as encouraging sales. We are also moving away from disposables and toward environment-friendly products wherever possible.

Special needs continue to be an important facet of passenger services, with improvements onboard our major vessels. Progress is also being made in making all of our facilities more accessible for the handicapped.

INTO THE FUTURE

Effective planning is an essential element in preparing the Corporation for the future. Market research on several major and minor services gave us greater insight into what passengers want when they travel. A year-long customer satisfaction survey was initiated on Strait of Georgia routes, and basic customer profile surveys were undertaken on several Sunshine Coast and Northern Gulf Island routes, service areas that had not previously been surveyed. And most importantly, the two-way communication process with the communities and individuals we serve continues.

We continue to monitor and apply developments in marine science and technology, including products and services of British Columbia's high technology firms. Negotiations were successfully completed with the Canadian Coast Guard to permit our ships to stay in the water for four years between drydockings. A video underwater "survey", involving the visual inspection of the hull while it remains in the water, will be done to replace the former biennial drydocking. This will save approximately $300,000 for each survey.



Doug Banno, Ivan Marcinko, Jack Steele and Mark O'Donnell, some of the maintenance tradespeople at the Deas Dock Refit Centre

It has been gratifying to note that the British Columbia Ferry Corporation is widely respected by ferry operators around the world, and during this past year we have hosted visitors representing various marine transportation organizations from California, Washington, Great Britain, Sweden, Hong Kong and Australia.

In 1991, and beyond, the men and women of B.C. Ferries will provide the skills and enthusiasm that have been the driving forces behind our performance this year. New ships, better service and our commitment to our customers' needs will continue to characterize the FriendShip Fleet. -

TOOK CHARGE

Mr. L.D. Pearce, Regional Director of Emergency Preparedness Canada for B.C. and the Yukon, writes:

"I wish to commend the British Columbia Ferry Corporation for its policy on customer service. The 11 o'clock ferry, Queen of Esquimalt, on February 1 from Tsawwassen to Swartz Bay, was in heavy seas. A lady with a small child became ill. The Second Steward, Michelle Roberts, ably assisted by the ship's Captain, took charge of the child, and assisted the mother until she was able to carry on."

The caring attitude of the crew reflects favorably on the Ferry Corporation and its standards.

"My compliments to the Captain, the Second Steward and BC Ferries. Well done!"

THE ORGANIZATIONAL STRUCTURE

The Ferry Corporation is linked to the Government through the Minister Responsible, the Minister of Transportation and Highways. The governance of the Corporation is the responsibility of a Board of Directors consisting of 11 members, under the Chairmanship of Bill Long. The Board of Directors ensures that the policies and practices of the Corporation are in keeping with the *Ferry Corporation Act*, providing a level of service which is effective, dependable, safe and affordable.

Reporting to the Board of Directors is a President and Chief Executive Officer, Frank A. Rhodes, who is responsible for overall corporate direction with particular emphasis on implementing corporate objectives and policies, the consideration of future levels of service, major capital and operating plans and the general health of the organization itself.

The General Manager, Rod Morrison, is the Chief Operating Officer of the Corporation with particular responsibility for the ongoing performance of the transportation service. He is responsible for providing leadership and motivation to the organization, establishing short and long term operational plans, developing policies and programs in co-operation with the President, addressing existing and future levels of service, and monitoring day-to-day operations and finances.

Some of the maintenance tradespeople, Photographed at Deer: (seated) Al Johnson, Steve Marsden, Wes Wiebe, John Mackie, Derrick Smith; (standing) Stafford Abbott, Lyle Evans, Richard Dignard Sr., Norm Perry and Andy Hohert

Inset: Pauline MacDonald is part of the team at New Construction Division

The organization has six major functional areas: Operations, Fleet Engineering, Terminal Engineering, Finance, Human Resources and New Construction.

The Operations Division under Assistant General Manager Captain Charles Partridge, is responsible for the delivery of the transportation service and supervises all passenger and traffic handling functions, on land and at sea.

Fleet Engineering under Assistant General Manager James Watson is responsible for the daily engineering operation of all ships. In addition the Division is responsible for the ongoing maintenance, refit and modification of all ships in the fleet.

Terminal Engineering under Assistant General Manager Ellis Meads is responsible for the maintenance, construction and modification of all land-based terminal facilities including terminal areas, buildings, docks and ramps.

The Finance Division under Assistant General Manager Glen Brown is responsible for the Corporation's financial processes including accounting, corporate finance and information systems, plus the warehousing function.

Human Resources under Assistant General Manager Bud Harbidge is responsible for the personnel and labour relations functions in addition to other employee-related functions such as safety, training, administration and security.

New Construction Division under Senior Projects Manager Thomas G. Blyth is responsible for implementation of the Capital Expansion Program.

The passenger wrote, "I wish to commend BC Ferries and say thank you for the leadership the Corporation has shown by the recent changes in policy. I applaud you for making the ferries entirely smoke-free, for implementing a newspaper recycling system, and for bringing back the china plates and mugs and stainless steel cutlery in the cafeteria.

It's encouraging when a Corporation becomes environmentally responsible, since the impact it has is so wide spread."

Left: Working on the fleet engineering automated drafting system are Dave Gladders and Marion Thomas

Some of the people who operate the loading ramps at Horseshoe Bay: (L to R) Chris Morris, Aaron Hoyle, Franz Hoedl, Brad Tolhurst and Bob Coyne

CAPITAL EXPANSION PROGRAM

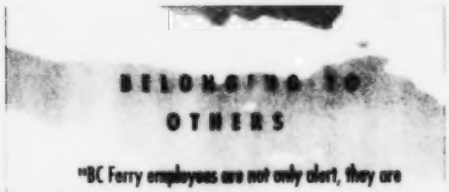
1990 marked the completion of Year 2 of the 5-year Capital Expansion Program. This includes approximately $440 million in new capital assets for the ferry system, including construction of two Strait of Georgia major vessels, two minor vessels, and the redevelopment of the major terminals at Horseshoe Bay, Tsawwassen and Swartz Bay.

The Corporation undertook the Capital Expansion Program in late 1988 when the need for new tonnage and the need for major terminal upgrades was recognized. The incremental terminal modifications of the seventies and eighties had addressed immediate needs, parallelled by the lifting program which double-decked four vessels. However, rising traffic, the changing needs of the public and the age of much of the operating fleet have made major redevelopments crucial.

470-CAR MAJOR VESSEL

To the end of 1990-91, approximately $24 million had been spent on this $130 million project, involving over 270 British Columbia firms. Design and engineering of the S-class (470-car) ships proceeded with input from user committees representing deck, fleet engineering, terminal engineering and catering departments. The ship will be the largest ever built in British Columbia. The scope and complexity of the project, combined with the February 1, 1993 delivery date, required an innovative approach to ensure that the vessel is delivered on time and within budget. As a result the actual construction will be carried out in three principal blocks, two hull blocks plus the superstructure block.

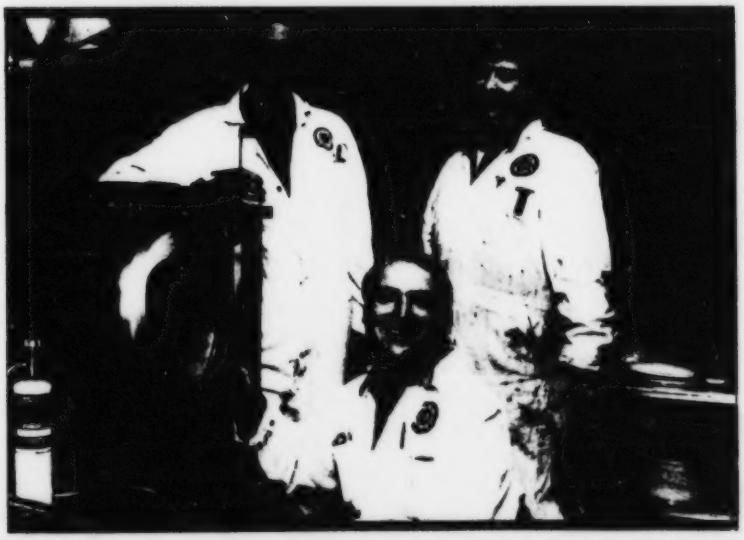
The contract for the first 470-car ferry was initially signed with Versatile Pacific Shipyard Inc. on October 4, 1990 and thereafter was assigned to a sister company, Integrated Ferry Constructors Ltd., which was created to manage the project. The first sub-contract to construct the bow section of the hull



BELONGING TO OTHERS

"BC Ferry employees are not only alert, they are willing to get involved in protecting property belonging to others. CP Rail Coastal Marine Operations received a telephone call from Gail Poland, Swartz Bay, who advised that the crew of the Bowen Queen had noted that one of their floating leads appeared to be sinking.

Due to the prompt action of our staff in reporting this, they were able to take immediate corrective action and reduce the loss."



Facing Page: Chief Engineer, Harry Remedios with second engineer Tony Celebrini

Above: Victor Powell, Rob Smith and Keith Goo (seated) Servicing a C-Class vessel's galley

was awarded to Allied Shipbuilders Ltd. The sub-contract for construction of the superstructure was let to Vito Steel Boat and Barge Ltd. and Purvis Navcon, who submitted a joint bid. Arrangements were being finalized by Integrated Ferry Constructors for a newly-formed company, Integrated Module Fabricators in Victoria, to undertake construction of the major section of the hull.

The ship is scheduled to commence service between Swartz Bay and Tsawwassen in early summer 1993. Its capacity for 470 vehicles and 2000 passengers will bring to the fleet a much needed increase in lift-off capacity, and its state-of-the-art technology will enhance the System's operating efficiency.

85-CAR MINOR VESSELS

Vancouver Shipyards Ltd. was the successful bidder for contracts to build two ferries which will each have a lift-off capacity of 85 automobiles and 300 passengers. Construction of the first vessel commenced in May 1990 with completion scheduled for June 1991. This will be an important milestone, marking the first time since 1981 that the Corporation has commissioned a new ferry. Its sister ship will be completed early in 1992.

TOURING THE TACHEK

"Thanks come in from the students of the Brooks Junior Secondary School in Powell River for the opportunity of touring the MV Tachek. The visit to the Bridge and the engine room proved to be a good learning experience for them.

Everyone to whom the students spoke to was enthusiastic and co-operative, especially Mike and his crew in the engine room. Students said it helped to make their morning very interesting and educational."

As with the S-class vessel, the 85-car ferries were designed with direct input from the users in the fleet. In keeping with recommendations from engine room personnel, the vessels will be powered by a diesel electric system for greater operating efficiency, dependability and ease of maintenance. The installation of variable pitch propellers will be another innovation which will allow improved manoeuvrability, and easier and quicker dockings.

TERMINAL REDEVELOPMENTS

The terminal redevelopment projects were implemented with the key goals of increased operational efficiency, improved passenger facilities and reduced congestion on the highway approaches.

HORSESHOE BAY

During this past year a number of factors prompted a review of the scope of redevelopment of Horseshoe Bay terminal, including the performance of the Mid-Island Express service; the decision to make Tsawwassen the Lower Mainland's primary terminal; the overall cost of the redevelopment and the possibility of initiating passenger-only service direct from the Sunshine Coast to downtown Vancouver.

Year-end traffic statistics indicated a significant decline in passenger and vehicle traffic through Horseshoe Bay, because of the Mid-Island Express. In addition, a survey carried out in December 1990 indicated that even more commercial vehicle drivers would choose to travel to Nanaimo via Tsawwassen if additional sailings were provided.

The scope of the project will, however, address long-standing community concerns caused by traffic congestion on the highway, improve traffic flow through the terminal, and upgrade passenger facilities.

TSAWWASSEN

At Tsawwassen Terminal the planned level of operations has significantly changed the scope of redevelopment.

Phase I of the two-phase redevelopment required an additional eight hectares of land on the north side of the existing terminal; approval to dredge in this area was received in early February 1991, and the fill work is scheduled to be complete by mid-June 1991. The major highlights of this phase, which is scheduled for completion in December 1991, will include:

Facing Page: Dilys Robbins and Sharron Booth are terminal attendants at Nanaimo

Marlene Stewart, Janet Sillito, Joyce Burns, Shirley Hennessy and Beate Lehmann crew the personnel office at Horseshoe Bay

CAPITAL EXPANSION PROGRAM

Ron Polishak works in the automotive maintenance area at Deas Dock

SWARTZ BAY

The Swartz Bay Terminal redevelopment plan will meet the Corporation's objectives to reduce traffic congestion on the highway approach to the terminal, eliminate the existing highway access problems caused by ferry-related traffic, improve passenger facilities, upgrade berthing facilities and provide more public parking.

- increasing the vehicle holding compound from 900 to 2400 car spaces;
- expanding the marshalling area for the Mid-Island Express;
- increasing the number of toll booths to 13 to provide for quicker processing of vehicles and a reduction of line-ups on the highway at peak traffic periods;
- improving passenger facilities within the terminal compound;
- doubledecking Berth 5.

Phase II of the redevelopment is scheduled for completion in August 1993.

The redevelopment is scheduled for completion in March 1993, and its major components will involve:

- Developing the property to the west of the terminal to nearly double the number of public parking spaces;
- Doubling the size of the vehicle holding compound from 600 to 1200 car spaces;
- Constructing a new passenger terminal closer to the ferry berths to virtually eliminate the long walk for foot passengers;
- Providing improved facilities for vehicle passengers within the terminal compound;
- Increasing the number of toll booths to 10 from six for quicker processing of vehicles in order to reduce lineups on the highway during peak traffic periods;
- Upgrading berths 1, 2 and 3 to reduce maintenance and enhance vessel loading and unloading.

As a package, the New Construction Program is intended to provide the Ferry System with the physical capability to handle the needs of British Columbia's travelling public.

SQUAMISH HIGHWAY ROAD CLOSURE

There were many employees who put in long hours, sometimes under adverse conditions, to keep our ferry service operating between Horseshoe Bay and Darrell Bay during the Squamish Highway road closure. There was a genuine concern for the passengers among the employees. Here are a few of the letters received:

"On October 23, my husband, 21 month old son, and I waited from the early morning hours to board the ferry. Finally, at 6:30 pm we were rewarded by getting on the Vesuvius Queen.

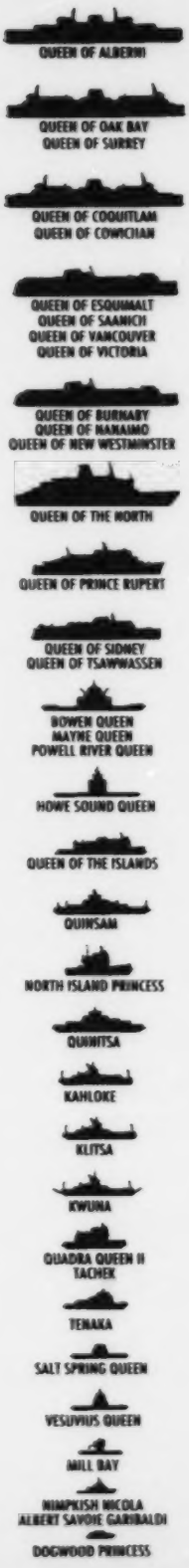
"It was a long day of waiting, but we have nothing but admiration for BC Ferries and the service you provided. The alternative of staying in Vancouver until the Highway opened was just not feasible for us.

"Many thanks for a job well done."

THE FRIENDSHIP FLEET

Vessels According to Vehicle Capacity	Year Built	Length (Ft.)	Tons (Gross)	Capacity (Auto)	Capacity (Pass.)
Queen of Esquimalt	1963	427	9304	376	1360
Queen of Cowichan	1976	457	6551	362	1466
Queen of Coquitlam	1976	457	6551	362	1466
Queen of Oak Bay	1981	457	6969	362	1466
Queen of Surrey	1981	457	6969	362	1466
Queen of Alberni	1976	457	5863	300	1170
Queen of Vancouver	1962	427	9357	336	1360
Queen of Saanich	1963	427	9302	336	1360
Queen of Victoria	1962	427	9369	286	1360
Queen of Burnaby	1965	427	4903	192	1183
Queen of Nanaimo	1964	427	4939	192	1183
*Queen of New Westminster**	1964	427	4904	192	1183
Queen of the North	1969	410	8889	157	800
Queen of Sidney	1960	336	3128	138	989
Queen of Tsawwassen	1960	336	3127	138	989
Queen of Prince Rupert	1966	332	5864	80	504
Powell River Queen	1965	279	1486	70	400
Howe Sound Queen	1964	241	805	70	400
Mayne Queen	1965	279	1476	70	394
Bowen Queen	1965	279	1476	70	394
Quinsam	1982	285	1458	70	400
Quinitsa	1977	245	1107	50	394
North Island Princess	1958	197	841	49	293
Queen of the Islands	1963	236	1717	45	483
Salt Spring Queen	1949	145	276	36	175
Vesuvius Queen	1950	150	277	32	135
Quadra Queen II	1969	163	771	30	293
Tachek	1969	163	751	30	200
Kahloke	1973	180	466	30	195
Klitsa	1972	156	348	26	195
Kwuna	1975	180	347	26	150
Tenaka	1964	155	651	30	244
Mill Bay	1956	120	175	16	134
Nicola	1960	110	255	16	129
Albert J. Savoie	1961	114	256	16	133
Nimpkish	1973	111	266	16	133
Garibaldi II	1964	110	337	7	332
Dogwood Princess II	1979	42	21	-	38

*Queen of New Westminster was undergoing major modifications at year-end, which will significantly increase her tonnage and carrying capacity.

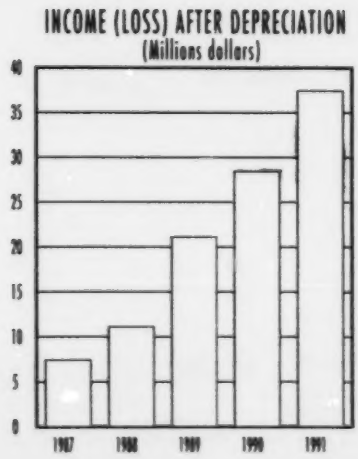


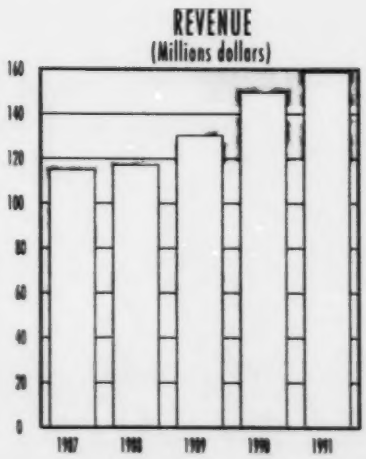
VANCOUVER ISLAND SERVICE AREA

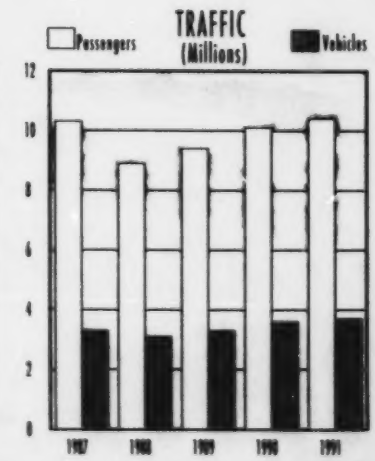
Operations in the Vancouver Island service area were extended during 1990-91 with the initiation of direct service between Tsawwassen and Nanaimo (the Mid-Island Express). This route has drawn off more than one quarter of the traffic which was previously carried between Nanaimo and Horseshoe Bay, especially in the commercial categories. The result has been better service for all users.

The surplus of revenue over expenses for the area amounted to $37.4 million, an increase of 32% over the 1989-90 year. However, the level of vessel overloading (vehicles left behind due to lack of capacity) continues to be excessive in the summer peak season, a condition which will improve when the first S-class major ship enters service in 1993.

Joan Anderson and Noreen Parsley work in the Departure Bay coffee shop







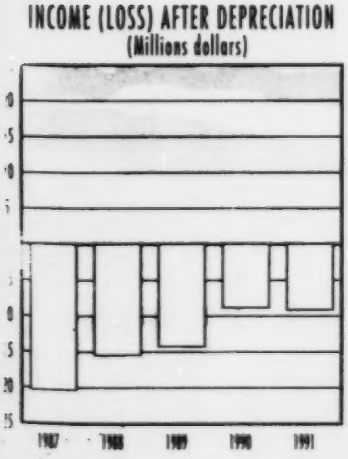
SUNSHINE COAST SERVICE AREA

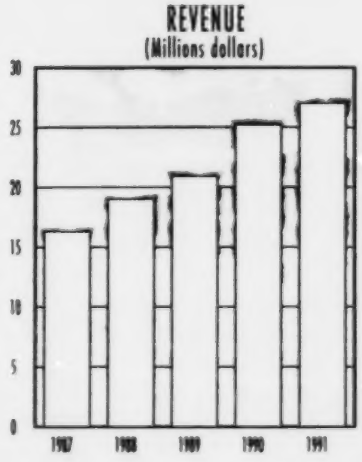
This service area includes routes in Howe Sound (Horseshoe Bay to Bowen Island and to Langdale; from Langdale to Gambier and Keats Islands), in Jervis Inlet (between Earls Cove and Saltery Bay) and in the Strait of Georgia (from Powell River to Comox and to Texada Island).

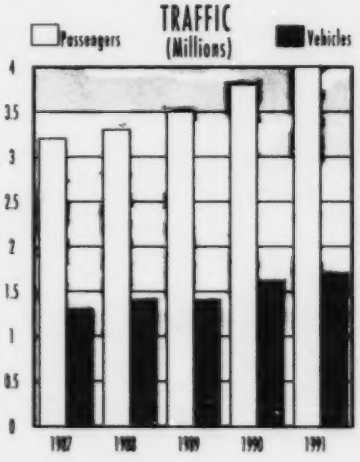
The Corporation participated in a study of fast-ferry passenger-only technology, with one possible application being a commuter service from the Sunshine Coast to downtown Vancouver. Following the study, the provincial government sought and obtained expressions of interest from the private sector.

The deficit in this area increased to $9.1 million this year, 3.4% higher than the $8.8 million loss of the previous year.

Rob Ferguson aboard Howe Sound Queen, in service between Horseshoe Bay and Bowen Island







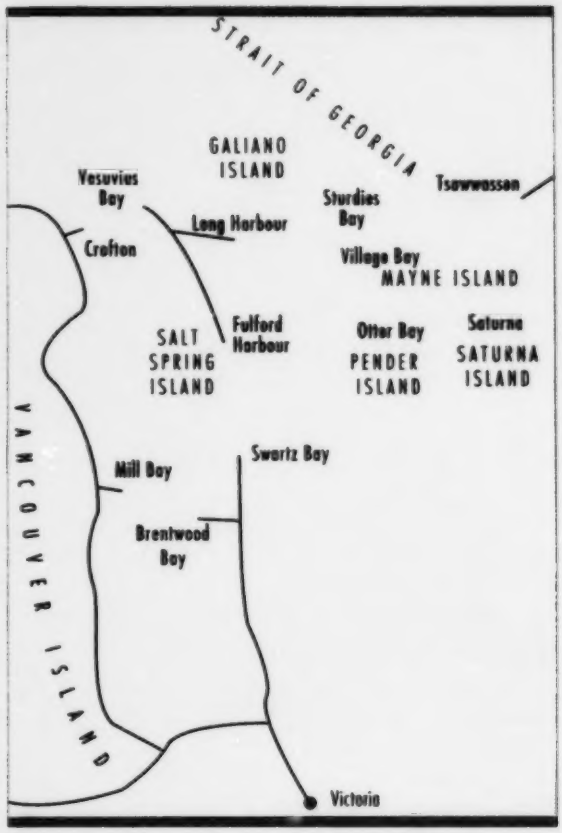
GULF ISLAND SERVICE AREA

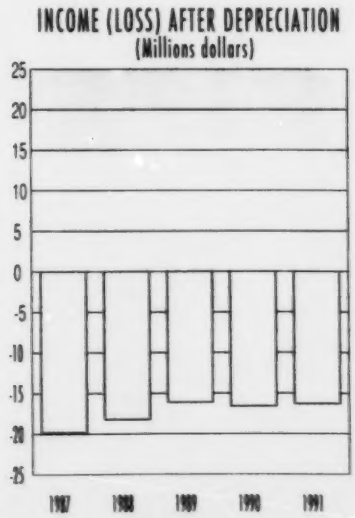
Debbie Lauzon at the helm of Bowen Queen out of Fulford Harbour, destined for Swartz Bay

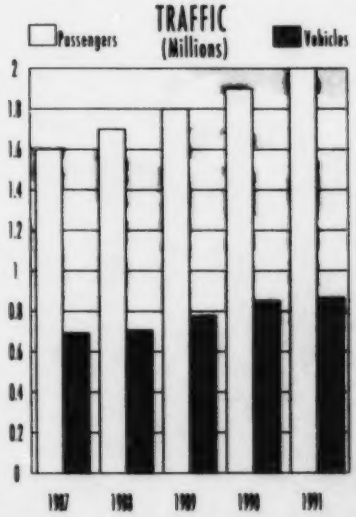
This area includes services to the islands of Galiano, Mayne, Pender, Salt Spring and Saturna from both Swartz Bay on Vancouver Island and Tsawwassen on the Lower Mainland. Additional services link Salt Spring Island to Vancouver Island (Vesuvius Bay to Crofton), and link Brentwood Bay on the Saanich Peninsula to Mill Bay.

The most significant event in the Gulf Island area was the decision, in October 1990, to drop plans to relocate Salt Spring Island's Fulford Harbour terminal to a site near Isabella Point. While the proposal had operational benefits, the residents of the island opposed the action and accordingly the service will now continue to operate out of Fulford Harbour.

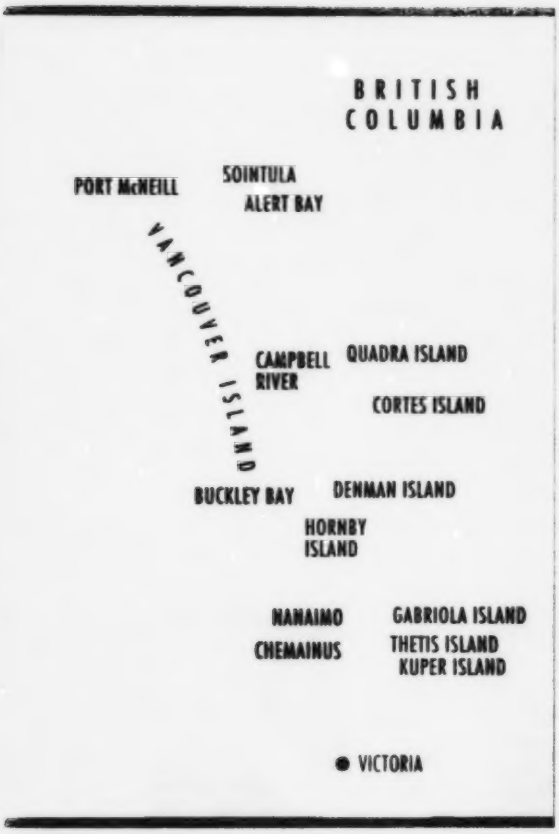
The deficit in this service area amounted to $16.3 million for 1990-91, only marginally less than the $16.6 million deficit experienced in the previous year.







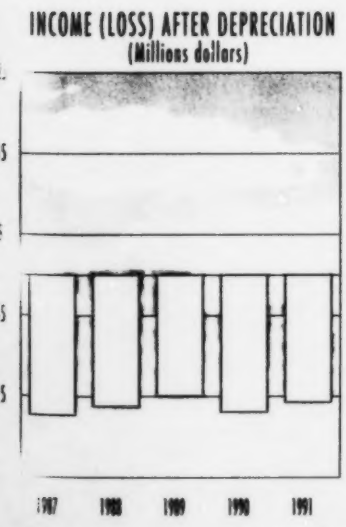
MID AND NORTH ISLAND SERVICE AREA

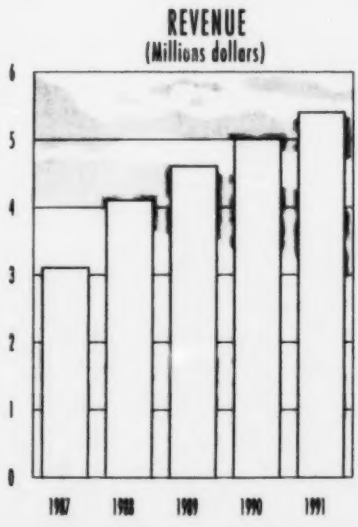


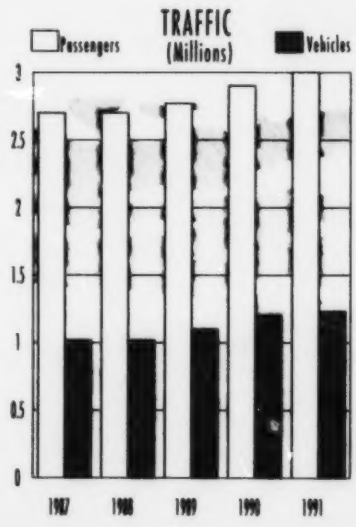
The seven routes of this area link the islands of Kuper, Thetis, Gabriola, Hornby, Denman, Cortes, Quadra, Cormorant and Malcolm to Vancouver Island. Service is provided by a variety of vessels in the 16-car to 70-car range, offering frequent service every day of the year. Annual vehicle volumes range from as low as 38,000 at Cortes Island to over 360,000 at Quadra Island.

The deficit in this service area decreased by 7.1% this year, to $15.7 million from $16.9 million.

Captain Bill Dickie and Engineer Mike Spencer aboard Klitsa, on the Thetis/Kuper Island service





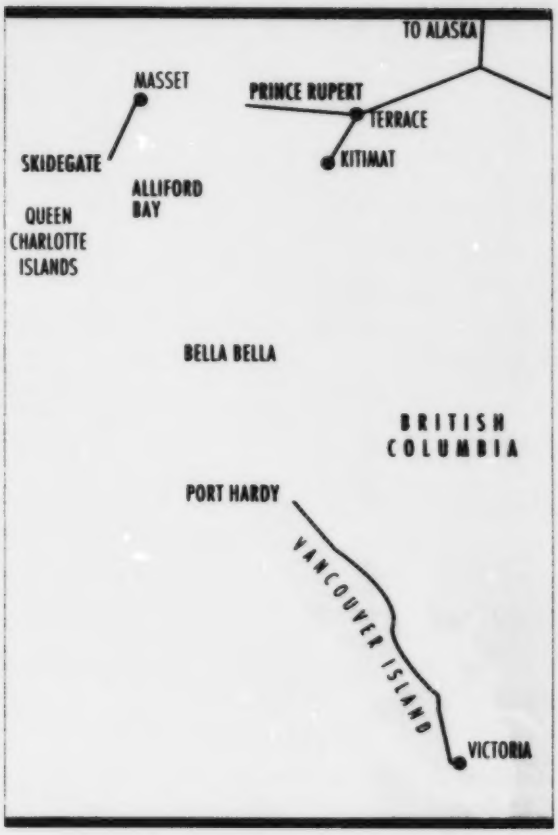


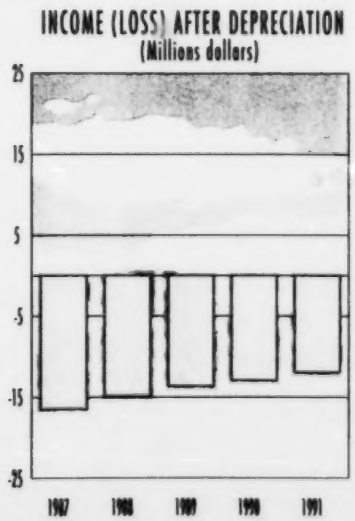
NORTH COAST SERVICE AREA

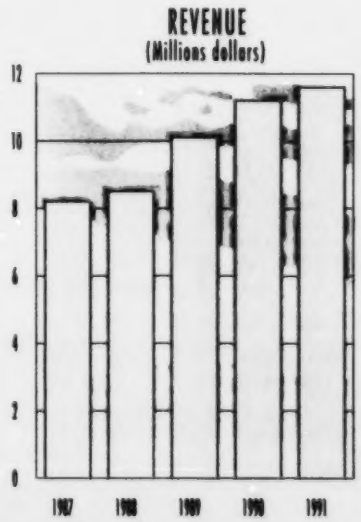
These routes link Prince Rupert, on the Province's mainland, to Port Hardy on northern Vancouver Island and to the Queen Charlotte Islands. In addition, a 26-car vessel connects the two main islands of the Queen Charlottes, operating between Skidegate and Alliford Bay.

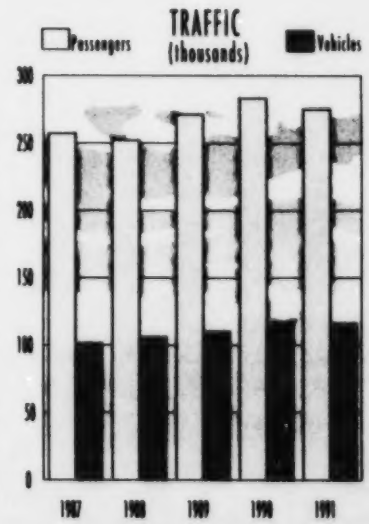
The tourist-oriented services offered on the Inside Passage between Vancouver Island and Prince Rupert continue to attract heavy traffic during the summer months. During 1990-91 the Corporation began assessing the economic possibilities of replacing one or both of the ships on these ocean-going routes. *Queen of Prince Rupert* was built in 1966 expressly for the Inside Passage. Since 1981 she has spent each summer providing service to the Queen Charlotte Islands and in the winter doing combination service when *Queen of the North* enters refit. However, changes in the passenger market over the last 25 years have pointed out the need to consider replacing the vessel. Simultaneously, it has been recognised that a vessel larger than *Queen of the North* might be economically placed in service on the Inside Passage if the prospective balance between revenue and operating costs is satisfactory.

During this fiscal year, the deficit decreased by 7.8% to $11.9 million from last year's level of $12.9 million.









TRAFFIC HISTORY

YEAR ENDED MARCH 31, 1991

	PASSENGERS	VEHICLES
1961	692,000	221,000
1962	2,040,000	697,000
1963	2,665,000	895,000
1964	3,180,000	1,034,000
1965	3,300,000	1,185,000
1966	4,000,000	1,333,000
1967	4,477,000	1,516,000
1968	4,361,000	1,530,000
1969	4,774,000	1,733,000
1970	5,671,000	2,102,000
1971	5,963,511	2,228,412
1972	6,771,837	2,552,505
1973	7,629,385	2,824,964
1974	8,538,297	3,169,582
1975	9,612,501	3,558,234
1976	9,912,738	3,760,099
1977	8,383,502	3,044,167
1978	9,018,976	3,258,017
1979	10,399,203	3,758,628
1980	11,423,405	4,161,302
1981	12,512,898	4,625,917
1982	12,763,664	4,712,951
1983	12,275,466	4,462,731
1984	12,397,905	4,482,707
1985	11,912,943	4,460,069
1986	13,497,102	5,050,165
1987	18,235,197	6,525,684
1988	17,014,098	6,490,918
1989	17,879,117	6,884,784
1990	19,228,592	7,499,213
1991	19,775,217	7,707,470
TO March 31, 1991	290,305,554	107,464,519

Angela Watt, Deborah Hanning and Dave Elliott (background) work at Horseshoe Bay

MANAGEMENT REPORT

Area Operations Manager Tom Whelan with staff Lenore Hellier and Delores Bernard

The financial statements of the British Columbia Ferry Corporation have been prepared by management in accordance with accounting principles generally accepted in Canada which have been consistently applied and are appropriate in the circumstances. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involved the use of estimates and approximations which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to the financial statements. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Management depends upon a system of internal controls in order to provide reasonable assurance, on a cost-effective basis, that financial information is reliable and accurate. The system of internal controls is monitored by internal auditors. Our external auditors also independently perform such tests of the system of internal controls as they consider necessary for the purpose of expressing their opinion on the financial statements. The Audit Committee, which is comprised of directors who are not employees, meets regularly with representatives of the external auditors, the internal auditors and management in order to satisfy themselves that the B.C. Ferries' system of internal controls is functioning correctly.

Management is responsible for all of the information in this Annual Report, which has been reviewed by the Audit Committee and approved by the Board of Directors.

F.A. Rhodes
President and CEO

Glen A. Brown
Assistant General Manager
Finance

ERNST & YOUNG

AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of British Columbia

We have audited the balance sheet of **British Columbia Ferry Corporation** as at March 31, 1991 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst + Young

Victoria, Canada,
May 15, 1991.

Chartered Accountants

BALANCE SHEET

AT MARCH 31, 1991

	(expressed in thousands)	
	1991	1990
ASSETS		
ASSETS IN SERVICE (Note 3)	$225,674	$225,628
ASSETS UNDER CONSTRUCTION (Note 4)	92,997	4,900
CURRENT ASSETS (Note 5)	67,040	49,943
RESERVED FUNDS (Note 6)	17,890	69,564
DEBENTURE (Note 7)	37,943	38,245
	$441,544	$388,280
LIABILITIES		
CAPITAL SUBSIDY (Note 8)	$109,152	$76,096
LONG TERM DEBT (Note 9)	14,406	19,463
OBLIGATIONS UNDER CAPITAL LEASES (Note 10)	84,185	85,572
CURRENT LIABILITIES (Note 11)	65,597	34,720
ACCRUED SICK LEAVE LIABILITY (Note 12)	5,642	5,834
	278,982	221,685
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 13)	6,851	6,851
CONTRIBUTED SURPLUS	250,401	250,401
DEFICIT	(94,690)	(90,657)
	162,562	166,595
	$441,544	$388,280

ON BEHALF OF THE BOARD:

DIRECTOR

DIRECTOR

STATEMENT OF OPERATIONS AND DEFICIT

YEAR ENDED MARCH 31, 1991

(expressed in thousands)

	1991	1990
OPERATING REVENUES		
Tolls	$ 186,335	$ 174,837
Catering and other income	42,429	40,375
Operating subsidy (Note 2)	13,104	6,915
	241,868	222,127
OPERATING EXPENSES		
Salaries, wages and benefits	146,659	130,983
Fuel	31,270	26,445
Contracted services	24,654	23,228
Materials and supplies	15,139	15,393
Cost of food and goods sold	15,121	14,366
Depreciation and amortization (net)	10,698	28,087
Administration	6,211	3,082
Professional services	5,333	4,605
	255,085	246,189
EXCESS OF OPERATING EXPENSES OVER OPERATING REVENUES	(13,217)	(24,062)
Interest income	18,312	12,643
Interest on long term obligations	(9,128)	(10,091)
Net financing income	9,184	2,552
EXCESS OF EXPENSES OVER REVENUES FOR THE YEAR	(4,033)	(21,510)
DEFICIT AT BEGINNING OF YEAR	(90,657)	(69,147)
DEFICIT AT END OF YEAR	$ (94,690)	$ (90,657)

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1991

	(expressed in thousands)	
	1991	1990
OPERATING ACTIVITIES		
Excess of expenses over revenues for the year	$(4,033)	$(21,510)
Depreciation, amortization and other non-cash charges	11,325	29,006
Net cash generated from operating working capital	13,897	2,911
	21,189	10,407
INVESTING ACTIVITIES		
Fixed asset additions	(101,286)	(17,117)
Fixed asset additions financed from current liabilities	16,726	-
	(84,560)	(17,117)
FINANCING ACTIVITIES		
Capital subsidy (Note 2)	35,346	44,085
Transfers from reserved funds	94,273	22,817
Transfers to reserved funds	(42,600)	(43,318)
Payments received on debenture	980	906
Long term debt payment	(5,700)	(5,700)
Capital lease payments	(966)	(877)
	81,333	17,913
INCREASE IN CASH	17,962	11,203
CASH AT BEGINNING OF YEAR	26,071	14,868
CASH AT END OF YEAR	$ 44,033	$ 26,071

In this statement cash includes only cash and short-term investments available for day-to-day operations and does not include Reserved Funds.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1991

(TABULAR AMOUNTS IN THOUSANDS)

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation was incorporated under the Ferry Corporation Act on June 30, 1976 and commenced operations on January 1, 1977. The shares of the Corporation are held by the Minister of Finance as representative of Her Majesty the Queen in right of the Province of British Columbia.

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies adopted in the preparation of these financial statements are as follows:

Inventories -

Inventories are valued at the lower of weighted average cost and current replacement cost.

Fixed assets -

Certain ships, berths, buildings and equipment were transferred from the Province in prior years. These assets were recorded at estimated depreciated replacement value at the dates of acquisition. Included in these values are three ships under charter by the Province until 1994 which were subchartered to the Corporation for the same period at an annual cost of $1 each. The Corporation may request the Province, at its expense, to exercise its option to purchase the ships in 1994 and transfer title to the Corporation under the terms of the subcharter agreement.

The costs of all other major replacements, additions, extensions and improvements are capitalized in the Assets under Construction accounts and transferred to the Assets in Service account when placed into service. The costs of maintenance, repairs, refit and minor renewals or replacements are expensed as incurred.

Depreciation -

Fixed assets, including assets recorded under capital leases, are depreciated using the straight line method based upon the useful lives of the assets as determined by the Corporation. During the year, useful lives for depreciation purposes were reassessed, resulting in an extension of the amortization period of certain assets. Useful lives are as follows: ships - 40 years, berths - 10-30 years, buildings - 20 years, equipment - 5-12 years.

Amortization of long-term debt discount and issue costs -

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs for promissory notes and capital leases are amortized on a straight-line basis over the term of the debt or lease.

Provincial Government Subsidy -

The annual subsidy received from the Province of British Columbia is applied firstly to cover any annual operating loss excluding depreciation less net financing income and long term debt and capital lease repayments, and applied secondly to a capital subsidy account. This accounting treatment reflects the government's stated intention that capital maintenance and expansion be financed from the annual subsidy. The unexpended portion of the capital subsidy account is deferred. The expended portion is amortized on the same basis as the related fixed assets are depreciated and is netted against depreciation on the Statement of Operations.

Contributed surplus -

Contributed surplus represents the recorded value of certain assets received from the Province of British Columbia in prior years.

Comparative figures -

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

2. ANNUAL SUBSIDY

The Provincial Government has committed to support the Corporation's capital expansion and maintenance program and agreed in the March 1989 budget speech to finance this program by a subsidy of $51.0 million annually for ten years.

In April 1990 the Corporation received a discounted prepayment of the 1990/91 Provincial Government subsidy of $51 million in the amount of $48.5 million. Of this amount, $13.1 million (1990 - $6.9 million) has been recorded as operating subsidy and the balance of $35.3 million (1990 - $44.1 million) has been allocated to capital (Note 8).

3. ASSETS IN SERVICE

	1991			1990
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	$ 269,895	$ 176,255	$ 93,640	$ 99,091
Ships under capital lease	128,252	59,155	69,097	71,129
Berths, buildings and equipment	183,184	126,846	56,338	49,713
Land	6,599	-	6,599	5,695
	$ 587,930	$ 362,256	$ 225,674	$ 225,628

4. ASSETS UNDER CONSTRUCTION

Following the March 1989 budget speech, the Corporation was authorized to begin a major capital expansion program. Projects underway as part of this program are as follows:

	1991	1990
Minor vessels-		
Two minor vessels are under construction. The first is scheduled for delivery in June 1991, the second in early 1992.	$27,784	$3,398
Queen of Chilliwack, formerly the *Basto I* of Norway, has been purchased to augment the intermediate fleet. At March 31 the vessel was in Norway awaiting delivery to Canada by a B.C. Ferry Corporation crew. Upon arrival, *Queen of Chilliwack* will undergo renovations and is scheduled for service commencing in the early summer of 1991.	11,106	0
Major vessels-		
Two major vessels, of approximately 470-car capacity are planned within the program. As of March 31, 1991, construction of the first vessel had commenced, and contracts were either settled or imminent for the remaining major components. Planned delivery date for the first vessel is Spring 1993.	23,618	1,184
The *Queen of New Westminster* is undergoing a lifting and engine replacement to increase its speed and carrying capacity. Expected completion is in July 1991.	20,395	0
Terminal redevelopment-		
Tsawwassen - Overall redevelopment is currently in the design stage. Double-decking of one berth is underway, and is scheduled for completion by the summer of 1991. Landfill work to enlarge the terminal area has been completed.	7,228	24
Horseshoe Bay - Work on this terminal has been suspended while the Corporation re-evaluates the location's requirements.	2,168	218
Swartz Bay - Much of this project is still in the design stage. Work has commenced on modifications to one berth and on ground clearing for the parking area.	698	76
	$92,997	$4,900

Commitments at March 31, 1991 totalled $154 million.

5. CURRENT ASSETS

	1991	1990
Cash and short-term investments	$44,033	$26,071
Accounts receivable	5,485	7,039
Inventories	11,822	11,133
Current portion of reserved funds	5,700	5,700
	$67,040	$49,943

6. RESERVED FUNDS

Funds designated for specific purposes are segregated by the Corporation.

	1991	1990
Funds designated for long-term debt and capital lease payments, net of current portion	$9,193	$7,639
Funds designated to meet accrued sick leave liabilities (Note 11)	5,642	5,834
Long term disability fund	3,055	3,152
Funds designated for capital expenditures	0	52,939
	$ 17,890	$ 69,564

7. DEBENTURE

The debenture from the Province of British Columbia bears interest at 8.18% per annum and matures in December 2006.

8. CAPITAL SUBSIDY

	1991	1990
Capital subsidy at beginning of year	$ 76,096	$ 33,439
Provincial Government subsidy, capital portion (Note 2)	35,346	44,085
	111,442	77,524
Annual amortization	2,290	1,428
Capital subsidy at end of year	$109,152	$ 76,096

9. LONG-TERM DEBT

	1991	1990
12.08% Promissory note (effective rate of 12.44%), due September 9, 2003, repayable by annual sinking fund payments of $322,492	$14,758	$14,758
8.95% Promissory notes (effective rate of 15.75%), repayable in equal annual instalments of $5.7 million	5,700	11,400
	20,458	26,158
Less: current portion	5,700	5,700
deferred charges	352	995
	$14,406	$19,463

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the promissory notes.

10. OBLIGATIONS UNDER CAPITAL LEASES

The Corporation has obligations under capital leases for *Queen of Oak Bay, Queen of Surrey, Quinsam* and other equipment.

Total future minimum lease payments for fiscal years ending in:

1992	$ 9,218
1993	9,218
1994	9,218
1995	9,218
1996	10,049
1997 and subsequent	118,095
	165,016
Less interest at implicit rates between 8.14% and 10.64%	78,633
Present value of net minimum capital lease payments	86,383
Less: current portion	1,917
deferred charges	281
	$ 84,185

11. CURRENT LIABILITIES

	1991	1990
Accounts payable and accrued liabilities	$50,632	$23,229
Deferred revenue	7,348	4,315
Current portion of long-term obligations	7,617	7,176
	$65,597	$34,720

12. ACCRUED SICK LEAVE LIABILITY

In 1978 the Corporation introduced short-term illness and injury and long-term disability plans and as of that date all employees ceased accruing sick leave credits. In the event of illness the accumulated sick time may be withdrawn. On retirement, any balance remaining is payable at 50% of accredited time.

The liability at March 31, 1991 was established by an actuarial valuation by Leong & Associates.

Funds have been designated to meet the accrued sick leave liability (see Note 5).

13. SHARE CAPITAL

	1991	1990
Authorized: 1,000,000 shares without par value with a maximum consideration of $100,000,000		
Issued: 68.512 shares	$6,851	$6,851

14. RELATED PARTY TRANSACTIONS

In addition to the annual subsidy described in Note 2, the Provincial Government pays $4.8 million for annual leases of three ships which are leased from the Province at an annual cost of $1 each. These payments are attributed to the Corporation in the annual estimates of the Province but are not recorded by the Corporation.

The Corporation utilizes Crown land for terminals and highway access without the payment of rent. In January 1991 the Corporation initiated a program of payments to municipalities in lieu of property taxes for major terminals located within municipal boundaries.

The Corporation engages in transactions with other government agencies, departments and Crown Corporations, notably B.C. Hydro and Power Authority and B.C. Systems Corporation, on normal commercial terms

BOARD OF DIRECTORS

The Board of Directors: (seated) Joe Morris, Barbara Duggan, Mike Young, Jennifer Inderwick; (standing) Mack Stone, Stephen Smith, Bill Long, Gary Bannerman, Bob Wright; (absent - Harold Long)

R. WILLIAM LONG
Chairman of the Board, was appointed in January, 1987. He brings to the Corporation many years of experience in municipal and provincial administration.

ROBERT H. WRIGHT
Vice Chairman, has been a Director since 1981. A resident of Oak Bay, he is President of Oak Bay Marine Group. He is Chairman of the Executive Committee and a member of the Planning and New Construction Committees.

GARY BANNERMAN
was appointed in September 1990. He is the principal of Bannerline Enterprises of North Vancouver and is a freelance writer who contributes a weekly column to the North Shore News. He is a member of the Planning Committee.

BARBARA J. DUGGAN
was appointed in March, 1988. She is currently Director of Corporate Communications for the Vancouver Port Corporation. She is Chairman of the Board's Audit Committee, and a member of the Executive Committee.

JENNIFER INDERWICK
was appointed in September 1990. A resident of Ganges, on Salt Spring Island, she brings to the Board a great deal of experience in personnel issues from her employment in the Ontario public service. She is a member of the Audit and Finance Committees.

ARTHUR P. LLOYD
was appointed to the Board in September, 1987. He is a resident of Salt Spring Island, having retired after a career in the lumber industry. Mr. Lloyd's term ended on September 18, 1990.

HAROLD J. LONG
was appointed a Director in November, 1986. He is a long-time resident of Powell River and is currently the member representing the constituency of Mackenzie in the Province's Legislative Assembly.

JOSEPH MORRIS
was appointed a Director in May, 1984. A past President of the Canadian Labour Congress, he is now retired and lives in Saanich. He is Chairman of the Finance Committee and a member of the Executive and New Construction Committees.

STEPHEN E. SMITH
was appointed in February 1990. He is a resident of Prince Rupert, where he manages the Crest Motor Hotel. Mr. Smith is a member of the Board's Audit and Finance Committees.

C.M. (MACK) STONE
was appointed in March, 1988. He is a resident of Parksville on Vancouver Island. A mechanical engineer by profession, he now engages in industrial training, primarily directed at the forest industry. He is a member of the Board's Planning and Finance Committees.

MICHAEL D.W. YOUNG
is a practising lawyer, resident in Victoria, and is a former mayor of Victoria. A Director since 1981, he is Chairman of the Planning Committee and a member of the Executive and New Construction Committees.

OFFICERS

R.W. Long
Chairman of the Board

R.H. Wright
Vice Chairman

F.A. Rhodes
President and Chief Executive Officer

R. Morrison
General Manager

P.L. Morris
Corporate Secretary

G.A. Brown
Assistant General Manager,Finance

CORPORATE INFORMATION

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BANKERS
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Victoria, B.C.